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TAGS: [PREL](#) [ETRD](#) [EINV](#) [ECON](#) [KJUS](#) [SNAR](#) [SMIG](#) [EC](#)  
SUBJECT: LAUNCH OF U.S.-ECUADOR BILATERAL DIALOGUE

REFTEL A: QUITO 696  
B: STATE 101841  
C: QUITO 1100

¶1. (U) Summary: A U.S. delegation led by WHA DAS Christopher McMullen met with Ecuadorian officials in Quito November 24 to launch the U.S.-Ecuador Bilateral Dialogue, a forum to address issues of interest to both sides and to highlight and build on existing cooperation and positive engagement (ref A). The initial Dialogue meeting addressed: the financial sector; investment; customs; sanitary and phytosanitary (SPS) issues; sustainable development; combating narcotrafficking and money laundering; trafficking in persons; and migration issues. The delegation heads also met with Foreign Minister Maria Isabel Salvador, who endorsed and supported the process. A follow-on meeting was agreed for Washington in the second quarter of the calendar year, to be preceded by the establishment of working groups on various issues to be determined. End Summary.

¶2. (SBU) Led by State Department's Deputy Assistant Secretary McMullen, the U.S. delegation met with MFA officials November 24 to launch officially the Dialogue. USAID Deputy Assistant Administrator for Latin America and the Caribbean Tully Cornick, USDA, DHS, and Commerce also participated. The Ecuadorian delegation, led by Under Secretary for Bilateral Relations Carlos Jativa, included representatives from trade, consular, competition, security, agriculture, justice, migration, customs and antinarcotics offices and agencies. Jativa welcomed the Dialogue as a way to strengthen the bonds between the U.S. and Ecuador. Many Ecuadorian agencies thanked the U.S. side for assistance and praised current cooperation under the four pillars of the Dialogue: Human Development and Poverty Reduction, Trade and Investment, Cooperation and Technical Assistance, and Immigration Issues.

Human Development and Poverty Reduction  
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¶3. (U) The Ecuadorians presented detailed information on Plan Ecuador (Ecuador's development plan for its northern region bordering Colombia), and the GOE's priority interests in the region. Plan Ecuador's four key sectors for investment include housing, water and sewage systems, production chains, and improvement of education. DAS McMullen commented that USAID has worked very

closely with the GOE on this plan, investing over \$80 million since 2001, and will continue this positive cooperation.

14. (SBU) An official from Ecuador's Coordinating Ministry of Economic Policy stressed the importance of Ecuador's need for balanced internal development, improved competitiveness and production, and an improved financial structure. He asked for U.S. cooperation in sharing best practices and lessons learned on: the Community Reinvestment Act (to offer credit to microentrepreneurs); financial regulators like Fannie Mae and Freddie Mac; designing a social security system and unemployment insurance; working with the Federal Reserve Bank of Atlanta to inventory monetary instruments in circulation; and cooperation and technical assistance from the Securities Exchange Commission to design a new securities market.

15. (U) The U.S. delegation responded that the USG could share its experiences, invited the GOE to participate in preparing for the Summit of the Americas, which could include a discussion on the financial sector, and suggested that experiences from the G-20 process could be applied regionally. USAID noted that Ecuador has one of the fastest growing micro-finance systems in the region, with interesting lessons to be shared. The GOE welcomed the invitation to engage.

#### Facilitation of Trade and Investment

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16. (U) The Ecuadorians complained about Ecuador's growing non-oil deficit, and noted that Ecuador's exports are far too concentrated (the top ten exports account for 91.51% of total exports). They stressed the need to diversify exports, and asked for USG assistance to define a basket of products to diversify into, and USG cooperation in facilitating U.S. market access through training, research and development, marketing, and assistance in complying with SPS rules. The U.S. side expanded on the Pathways to Prosperity in the Americas initiative (ref B), a forum to help trade benefits reach all levels of society, and noted the upcoming Ministerial in Panama in December. Although Pathways initially included only Latin American FTA partners with the U.S., it is being expanded to include others in the region. The Ecuadorians expressed interest in participating in the Ministerial as observers, and were encouraged to reach out to Panama about the meeting.

17. (U) The Ecuadorians want greater participation of small and medium sized enterprises (SMEs) in trade. USAID highlighted its on-going program with private Ecuadorian banks that guarantee loans to SMEs in Ecuador, and has already offered technical assistance so that the GOE could replicate this guarantee fund in publicly controlled banks. The GOE noted that a draft antimonopoly law was completed and would soon be sent to Ecuador's interim legislative body for approval. USAID applauded the effort for bringing protection to consumers while allowing for competition, and offered technical assistance on the law.

18. (SBU) On customs issues, the Ecuadorians pointed to preventing drug smuggling and stronger port controls as key issues. They were interested in technical assistance for incoming passenger controls (such as identifying risk profiles), and for controlling land frontiers. They also emphasized Ecuador's likely inability to comply with 100% container scanning by 2012. The DHS Immigration and Customs Enforcement (ICE) official proposed working together with Ecuador to identify equipment and provide training necessary for Ecuador to meet the 100% scanning requirements. The USG side also offered additional training and technical assistance in setting up Ecuador's Trade Transparency Unit, which would allow Ecuador to compare trade data and thus help identify corruption, tariff fraud, and money laundering schemes. GOE officials noted President Correa's plan to institute an electronic signature system to facilitate trade and enhance transparency.

19. (SBU) A Ministry of Agriculture representative mentioned the GOE desire to develop its livestock program further through Ecuador's National Development Plan, stressing the need for training and technology transfer to ensure benefits reach small producers. He asked for USG assistance in developing eco-seals (certifications of environmentally friendly processes) for products, while cautioning that eco-seals would need to not increase transaction costs or otherwise harm competitiveness, and would need to help small

producers. On the U.S. interest in market access for U.S. beef, Ecuador's sanitary service, SESA, stated that the Andean Community (CAN) was reviewing its rules on mad cow disease and that there "could be commercial opportunities in this area soon." The Ecuadorians noted that President Correa signed an "agro-quality" law, creating an agency that will look at SPS and agricultural issues simultaneously.

¶10. (SBU) The MFA detailed GOE efforts to promote its "10 star sectors" identified for investment, noting a focus on non-oil and non-traditional sectors. These included fruit and vegetable processing, flowers, fish and aquaculture, forestry, biofuels, tourism, and transport and logistics, among others. The Ecuadorians asked for U.S. support to bolster the 10 sectors, particularly in special promotional activities such as road shows and information exchange (in a separate Heads of Delegation meeting, biofuels were highlighted as an important area for cooperation). USAID praised joint work in this endeavor. USAID funded the initial studies that led to Correa adopting these "10 star sectors" as his national economic growth strategy.

#### Investment Issues

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¶11. (SBU) USG officials stressed that investment disputes of U.S. companies have contributed to a negative image of Ecuador's investment climate in Washington. The U.S. side urged Ecuador to look at foreign investment as an indispensable development tool, and to treat foreign investors transparently and under stable rules. The Ecuadorian side agreed that it wanted to improve its image and emphasized that disputes would be resolved by law. GOE officials noted that the government was designing a new investment law that would provide a new legal framework for investment, based on constitutional reforms covering investment ethics and investor rights.

#### Cooperation and Technical Assistance

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¶12. (U) Risk management for natural disasters is an important area of cooperation between the U.S. and Ecuador, and USAID is involved in long standing programs with Ecuador. The Embassy's military group has also provided strategic assistance in disaster response. The Ecuadorians noted that they were working on building a new national disaster relief system.

¶13. (SBU) Anti-narcotrafficking is another area where the GOE and USG have extensive, successful cooperation. The Ecuadorians noted the GOE was working on a draft drug control plan, which President Correa was to sign at the end of December, and a draft law on the management of seized assets. They asked for continued USG assistance on antinarcotics initiatives, while calling for amounts to be increased. In particular, they asked for assistance with investigating the possibility of an asset seizure fund (to see if they could share in the proceeds of the sale in the U.S. of seized assets of Ecuadorian drug criminals). The U.S. side agreed to investigate this further. The U.S. side also commented on the need for an antiterrorism financing law so that Ecuador's Financial Intelligence Unit would be eligible for international certification and attendant access to information held by other certified units.

¶14. (SBU) The Ecuadorians noted the necessity of updating the bilateral treaty on prisoner exchange and stressed the importance of judicial assistance. The U.S. side noted that the USG has sought to improve communication to facilitate the extradition process, such as by holding digital video conferences, and agreed to investigate the prisoner exchange issue.

#### Immigration Issues

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¶15. (U) The Ecuadorians noted that, due to the importance of migration issues in the current government, the Secretariat of Migration would soon become a full Ministry, and explained their program to assist Ecuadorian immigrants who return voluntarily. They proposed a dialogue and information exchange focused on assisting Ecuadorian immigrants in the U.S. (such as assistance with language and job training).

¶16. (SBU) Officials from both the USG and GOE noted difficulties in consular notification in both countries and the importance of continued police training. DHS/ICE officers proposed establishing an Electronic Travel Document System with the GOE that would allow for a shorter detention period for Ecuadorian nationals detained by U.S. authorities. DHS/ICE also expressed openness to sharing information on detention and deportation processes.

¶17. (SBU) The GOE would like to promote the developmental impact of remittances, noting the importance of remittances from the U.S. To improve remittances services and lower transaction costs, the Ecuadorians proposed an exchange of information on remittances, a bilateral remittance document with qualitative and quantitative information, and meetings with remittance agencies. USAID noted that as a result of its programs, it had already connected 4,000 outlets in the U.S. with over 120 credit union offices in Ecuador. USAID will work with Ecuadorian counterparts to further explore areas of mutual interest on remittances.

¶18. (SBU) The MFA noted good cooperation with the U.S. and the GOE's ongoing efforts against Trafficking in Persons (TIP), and that Ecuador had moved from Tier 3 to Tier 2 in the State Department's TIP report in 2005. DAS McMullen noted that the GOE's policy on visa-free tourism had caused a sharp rise in Chinese migration, abuses of migrants, and greater susceptibility to terrorist acts, and offered technical assistance in migration controls. The Ecuadorians responded that the GOE was implementing a travel document requirement for Chinese effective December 1 (ref C). McMullen cautioned about the need to check whether other countries were taking advantage of the current policy.

#### Next Steps

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¶19. (U) The two sides agreed to hold the next meeting of the Dialogue in Washington in 2009, most likely in May. Working groups for each pillar will be formed to begin addressing pending issues, and will report their results to the Dialogue plenary in 2009.

#### Comment

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¶20. (SBU) The Dialogue meeting created a formal opportunity to engage the Correa government, show how U.S. policies support many key GOE objectives, and establish a framework for future cooperation. A joint USG-GOE press statement praised the Dialogue for demonstrating the respect, friendship, and cooperation between the two countries, and for working to jointly develop priority areas. Media coverage of the talks was positive. GOE representatives at the meeting appeared eager and enthusiastic about potential collaboration in many areas.

¶21. (U) The U.S. delegation approved this cable.

CHRITTON